

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER**

ORDER

DIRECTIONS UNDER SECTIONS 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS 2003 AGAINST HARBINGER TRADING COMPANY PRIVATE LIMITED, M/S. ADITI A. DALAL AND SHRIYA CAPITAL SERVICES PRIVATE LIMITED IN RESPECT OF THEIR DEALINGS IN THE SHARES OF VXL INSTRUMENTS LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) issued notices dated August 23, 2004 to Harbinger Trading Company Private Limited, Shriya Capital Services Private Limited and M/s Aditi A. Dalal (hereinafter collectively referred to as the entities and individually by their respective names) advising them to show cause as to why suitable action, as specified under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the Act) read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 should not be taken against them. The said show cause notices (hereinafter referred to as the notices) were issued in respect of their dealings in the shares of VXL Instruments Limited (hereinafter referred to as VXL) for the period between May 1999 and September 2000 (hereinafter referred to as the investigation period). The transactions of the entities were mentioned in detail in the notices. The facts of the case as given in notices are mentioned below in brief. SEBI had initiated an investigation into the dealings in the shares of VXL on the basis of

investigation reports received from the National Stock Exchange of India Limited (hereinafter referred to as NSE). In respect of Harbinger Trading Company Private Limited, the investigation conducted by SEBI *inter alia* found that the said entity had traded through CFL Securities Limited [Member, NSE], Tropical Securities and Investments Private Limited and Lallubhai Ranchhoddas Share Brokers Private Limited (Members, Bombay Stock Exchange Limited (BSE)] during the period under investigation. It was found that the said entity had traded in the shares of VXL in the following manner:

- a. purchased and sold around 4,22,500 and 1,69,000 shares, respectively through Tropical Securities and Investments Private Limited,
- b. purchased and sold 5,39,100 and 2,01,800 shares, respectively through CFL Securities Limited and
- c. purchased and sold around 12,000 and 80,000 shares, respectively through Lallubhai Ranchhoddas Share Brokers Private Limited.

Analysis of the trade log revealed that, out of the purchases of 4,22,500 shares through Tropical Securities and Investments Private Limited, the counter party stock brokers in respect of 3,06,100 and 65,000 shares, were M/s. Pawankumar Parmeshwarlal and Lallubhai Ranchhoddas Share Brokers Private Limited, respectively. Out of the shares purchased and sold through CFL Securities Limited, the counter party stock broker for 1,05,000 and 30,000 shares (i.e. purchase and sale quantity) was Nikko Capital Market Private Limited. Further, in respect of 57,800 shares purchased by the said entity through CFL Securities Limited, the counter party stock broker was DGP Securities Private Limited (selling for their clients). It was alleged that Harbinger Trading Company Private Limited had entered into a series of matched/structured transactions, through Tropical Securities and Investments Private Limited and CFL Securities Limited amounting to 3,06,100 shares, 65,000 shares, 1,05,000 shares, 30,000 shares and 57,800 shares with M/s. Pawankumar Parmeshwarlal (selling on behalf of their family members),

Lallubhai Ranchhoddas Share Brokers Private Limited, Nikko Capital Market Private Limited and DGP Securities Private Limited, respectively. It was also noted that the said entity was appearing on both the buying as well as on the selling side in respect of 65,000 shares traded between the stock brokers, Tropical Securities and Investments Private Limited and Lallubhai Ranchhoddas Share Brokers Private Limited. In respect of the trades involving 1,05,000 and 30,000 shares (i.e. purchased and sold through CFL Securities Limited), the counter party client was M/s Aditi A. Dalal (associated with the said entity) which was trading through Nikko Capital Market Private Limited. It was further observed that the said entity was involved in cross deals executed by the stock brokers, CFL Securities Limited and Tropical Securities and Investments Private Limited. In respect of Shriya Capital Services Private Limited, the investigation had *inter alia* observed that it had traded through the stock brokers, Tropical Securities and Investments Private Limited and CFL Securities Limited. The said entity was found to have purchased and sold around 1,19,200 and 55,900 shares, respectively, through Tropical Securities and Investments Private Limited. It was also found that the said entity had purchased and sold 2,05,500 and 46,000 shares, respectively, through CFL Securities Limited. It was further observed that for the transactions executed by the said entity through CFL Securities Limited in Settlement Nos. 2000007, 2000008 and 2000013 (i.e. the purchase of 25,000, 13,100 & 46,000 shares), the counter party stock broker was Rosy Blue Securities Limited selling for its client, Tropical Securities and Investments Private Limited and the said transactions were in the nature of matched/ structure deals. It was *prima facie* found that the said entity, its stock broker and the counter party client were related and associated entities. In respect of M/s Aditi A. Dalal, it was observed that the said entity had traded through Tropical Securities and Investments Private Limited, M/s. Pawankumar Parmeshwarlal and Nikko Capital Market Private Limited in the following manner:

- a. purchased and sold around 65,000 and 12,000 shares, respectively, through Tropical Securities and Investments Private Limited
- b. purchased and sold 30,000 and 1,10,000 shares, respectively, through Nikko Capital Market Private Limited
- c. sold around 22,000 shares through M/s. Pawankumar Parmeshwarlal.

It was observed that out of the aforesaid purchase and sale of 30,000 shares & 1,10,000 shares, respectively, through Nikko Capital Market Private Limited, the counterparty stock broker in respect of trades for 30,000 shares and 1,05,000 shares, which were in the nature of matched/structured transactions, was CFL Securities Limited (purchasing on behalf of Harbinger Trading Company Private Limited). M/s Aditi A. Dalal, the counter party stock broker and the client appear to be related and associated. The notices alleged that the entities had aided and assisted their group company for tiding over the financial commitment to the stock exchange so as not to default payment and utilized the stock exchange mechanism to fulfil its objective and in the process indulged in the trades which were fictitious and were done with an intention to create artificial appearance of the trading in the securities market. In view of the above, it was alleged that the entities had contravened Regulation 4(b) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the PFUTP Regulations).

2. In response to the notices, the entities had filed similar submissions, vide separate letters dated September 9, 2004 and September 16, 2004 and the same are being considered in the later part of this Order. Thereafter, the entities had filed applications for passing of consent order in terms of SEBI circular dated April 20, 2007 in respect of the present proceedings. Pursuant to the rejection of the said applications, an opportunity of hearing was granted to the entities on July 2, 2009. Mr. Bhupen Dalal, advocate represented the entities and made submissions. The learned advocate while making submissions, requested to dispose off all proceedings pending against the entities and its

group concern. Thereafter, vide letter dated September 22, 2010, Mr. Bhupen Dalal, Advocate forwarded further submissions of the entities.

3. I have considered the notices, the oral as well as written submissions of the entities and other material available on record. The charge against the entities is that they had contravened Regulation 4(b) of the PFUTP Regulations, while dealing in the shares of VXL during the investigation period. The entities have been alleged of aiding and assisting their group company for tiding over the financial commitment to the stock exchange so as not to default payment and utilized the stock exchange mechanism to fulfil their objective and in the process indulged in the trades which were fictitious and were done with an intention to create artificial appearance of trading in the securities market. My findings in respect of the said charge are as follows.

4. The charge against the entities is in respect of their trades executed at NSE and BSE. It was mentioned in the notices that NSE had conducted an investigation and submitted three reports covering the entire investigation period. Period of such reports are (i) May 5, 1999 to June 22, 1999 (ii) June 22, 1999 to June 22, 2000 and (iii) June 23, 2000 to September 26, 2000. The observations made by NSE in the said reports as mentioned in the notices are as follows:

“NSE during the period from May 5, 1999 to June 22, 1999 observed that certain parties namely M/s. Harsai Investments Pvt. Ltd., M/s. RRB Securities and HB Stock Holdings Ltd., M/s. Harbinger Trading Company, Shriya Capital and M/s. Aditi A. Dalal were among the major clients of various trading members in selected settlements. The above named parties are grouped into two viz. HB group consisting of M/s. HB Securities, M/s. Harsai Investments Pvt. Ltd., M/s. RRB Securities and HB Stock Holdings Ltd and CFL Group consisting of M/s. Harbinger Trading Company, Shriya Capital and M/s. Aditi A. Dalal. Both the groups played a major role in the increased trading activity in the scrip as they contributed to 30% of the net volume of the market for the scrip during settlements 1999019 to 1999023. During the period from June 22, 1999 to June 22, 2000, NSE observed that the clients trading through CFL Securities, HB Securities, Fincap Portfolio and Rosy Blue Securities Limited were trading heavily in the scrip. Further, clients belonging to HB Group and CFL Group were found to be

actively trading in the scrip and constituted more than 20% of the Gross/Net traded quantity for the market in 25 settlements out of 52 settlements. During the period from June 23, 2000 to September 26, 2000, NSE observed that the spurt in the trading volume were on account of cross deals executed by CFL Securities on behalf of its clients which accounted for 33.50%, 15.57% and 21.16% of the gross traded quantity during SN's 2000029, 2000030 & 2000031 respectively. The client Harbinger Trading Company (hereinafter referred to as Harbinger) has either been on the buy or sell side for all the cross deals executed by CFL Securities. Harbinger is an associate/group company of CFL Securities. NSE has reportedly initiated disciplinary action proceedings against CFL Securities Limited based on the above findings. Further, NSE in its report observed various instances of structured deals executed by CFL Securities Limited, DGP Securities Limited, Fincap Portfolio Limited and HB Securities Limited, all trading members." (Underline supplied)

5. For the period from May 5, 1999 to June 22, 1999, it is mentioned in the notice that NSE had observed that certain parties namely, Har Sai Investments Limited, RRB Securities Limited, HB Stockholdings Limited, Harbinger Trading Company Private Limited, Shriya Capital Services Private Limited and M/s. Aditi A. Dalal were among the major clients of various trading members in selected settlements. The notice had classified Harbinger Trading Company Private Limited, Shriya Capital Services Private Limited and M/s. Aditi A. Dalal as the "CFL Group" and HB Securities Limited, Har Sai Investments Limited, RRB Securities Limited and HB Stockholdings Limited, as the "HB Group". It was further stated that both the groups played a major role in the increased trading activity in the scrip since they contributed 30% of the net volume of the market during settlements 1999019 to 1999023. However, I note that the notices or the annexures enclosed thereto has not provided the details of the individual contribution by the entities. Therefore, it cannot be ascertained as to the volume contributed by Harbinger Trading Company Private Limited, Shriya Capital Services Private Limited and M/s. Aditi A. Dalal out of the said 30% during the aforesaid settlements. Even the volume contributed by the "CFL Group" cannot be determined because of paucity of data in the notices. Similar is the case in respect of the period between June 22, 1999 and June 22, 2000. For the said period, it is merely stated that the clients trading through CFL Securities

Limited, HB Securities Limited, Fincap Portfolio Limited and Rosy Blue Securities Limited were trading heavily in the shares of VXL and that clients belonging to HB Group and CFL Group were found to be actively trading and contributed more than 20% of the gross/net traded quantity in the market in 25 settlements out of 52 settlements. Similar to the previous period, the contribution of the CFL Group as well as the individual contribution of the entities forming the CFL Group could not be ascertained for the period between June 22, 1999 and June 23, 2000, from the details mentioned in the notice. The observation as regards the period June 23, 2000 to September 26, 2000 would be discussed later in this Order.

6. The notices had also mentioned that BSE submitted two investigation reports for the entire period covering May 1999 to September 2000. The first report covered the period from May 1999 to May 2000 and the second report covered the period from June 2000 to September, 2000. For the period-May 1999 to May 2000, it is mentioned in the notice that

“.....BSE observed that among the buying and selling clients, Ms. Aditi Dalal, Harbinger & Shriya Capital Services Pvt. Ltd. appear to be related to each other. These three parties together have dealt through 4 members namely, Tropical Securities & Investment Ltd. (Clg. No.650), SPS Sharebrokers Pvt. Ltd. (Clg. NO.557), Lallubhai Ranchhoddas Share Brokers Pvt. Ltd. (Clg. No.406) and Pawankumar Parmeshwarlal (Clg. No.550) in three cycles i.e. from Sett. 10 to Sett.18, Sett. 39 to Sett. 50 and Sett. 2 to Sett. 9.”

Though, the notice states that the entities have traded in the shares of VXL for the aforesaid period, no imputation has been leveled in the notices against the entities for the said period. The following is the observation as regards the second period:

“During the period from June 2000 to September 2000, BSE observed that Tropical Securities Limited (hereinafter referred to as “Tropical”) was a major trading member in the scrip till Sett. No.19. Tropical has executed large quantities of proprietary trades and all these proprietary trades were mostly in the nature of matched trades. More than

50% of the volume in Sett. No.10 & Sett. No. 11 were proprietary trades by Tropical, which is also found to have done matched trades with Pawankumar Parmeshwarlal and Lallubhai Ranchhoddas. In almost all the trades during this period carried out by M/s. Tropical, Harbinger (client of M/s. Tropical) was either appearing on the buy side or on the sell side of the transaction.”

7. I note that the notice, for the second period-June 2000 to September 2000, had mentioned that BSE had observed that the stock broker Tropical Securities and Investments Private Limited was a major trading member till settlement no. 19 and that it had executed large quantities of proprietary trades. All those were said to be mostly in the nature of matched trades. It was also stated in the notice that more than 50% of the volume in settlement nos. 10 and 11 were proprietary trades by Tropical Securities and Investments Private Limited. The said stock broker was found to have executed matched trades with stock brokers, M/s. Pawankumar Parmeshwarlal and Lallubhai Ranchhoddas Share Brokers Private Limited. Further, it has been observed that in almost all the trades during the said period carried out by Tropical Securities and Investments Private Limited, Harbinger Trading Company Private Limited was found to appear either on the buy side or the sell side of a transaction. The details of the cross deals executed by Tropical Securities and Investments Private Limited were mentioned in the notice (in Annexure 9 to the notice) issued to Harbinger Trading Company Private Limited.

8. I also note that the notices had also mentioned that for the period-June 23, 2000 to September 26, 2000, NSE had observed that the spurt in the trading volume were on account of the cross deals executed by CFL Securities Limited on behalf of its clients, which accounted for 33.50%, 15.57% and 21.61% of the gross traded quantity during settlements 2000029, 2000030 and 2000031, respectively. It is also stated that Harbinger Trading Company Private Limited was found to be on either the buy or sell side in all the cross deals executed by CFL Securities Limited. Annexure 10 of the notice issued to Harbinger Trading Company Private Limited contained the details of such

trades. Harbinger Trading Company Private Limited was found to have traded through the stock brokers, CFL Securities Limited, Tropical Securities and Investments Private Limited and Lallubhai Ranchhoddas Share Brokers Private Limited during the investigation period. It had purchased and sold around 4,22,500 and 1,69,000 shares, respectively through Tropical Securities and Investments Private Limited and purchased and sold 5,39,100 and 2,01,800 shares, respectively through CFL Securities Limited. While trading through Lallubhai Ranchhoddas Share Brokers Private Limited, the said entity had purchased and sold around 12,000 and 80,000 shares, respectively. It has been alleged that Harbinger Trading Company Private Limited had entered into a series of matched/structured transactions, through Tropical Securities and Investments Private Limited and CFL Securities Limited amounting to 3,06,100 shares, 65,000 shares, 1,05,000 shares, 30,000 shares and 57,800 shares with M/s. Pawankumar Parmeshwarlal (selling on behalf of their family members), Lallubhai Ranchhoddas Share Brokers Private Limited, Nikko Capital Market Private Limited and DGP Securities Private Limited, respectively. It is also noted that the said entity was on both the buying as well as on the selling side in respect of 65,000 shares traded between Tropical Securities and Investments Private Limited and Lallubhai Ranchhoddas Share Brokers Private Limited. For trades involving 1,05,000 shares and 30,000 shares (purchased and sold through CFL Securities Limited), the counter party client was found to be M/s Aditi A. Dalal which was trading through Nikko Capital Market Private Limited. It was further observed that the said entity was involved in cross deals executed by the stock brokers, CFL Securities Limited and Tropical Securities and Investments Private Limited.

9. Shriya Capital Services Private Limited had traded through the stock brokers, Tropical Securities and Investments Private Limited and CFL Securities Limited. The said entity had purchased and sold around 1,19,200 shares and 55,900 shares, respectively, through Tropical Securities and

Investments Private Limited and purchased and sold 2,05,500 and 46,000 shares, respectively, through CFL Securities Limited. The notice further mentioned that for the transactions executed by the said entity through CFL Securities Limited in Settlement Nos. 2000007, 2000008 and 2000013 (the purchase of 25,000, 13100 & 46000 shares), the counter party stock broker was Rosy Blue Securities Limited selling for its client, Tropical Securities and Investments Private Limited. The said transactions were found to be in the nature of matched/structured deals. M/s Aditi A. Dalal was found to have purchased and sold around 65,000 shares and 12,000 shares, respectively, while trading through Tropical Securities and Investments Private Limited. It had purchased and sold 30,000 shares and 1,10,000 shares, respectively, through Nikko Capital Market Private Limited and sold around 22,000 shares through M/s. Pawankumar Parmeshwarlal. It was observed that out of the aforesaid purchase and sale of 30,000 shares and 1,10,000 shares, respectively, through Nikko Capital Market Private Limited, the counterparty stock broker in respect of 30,000 shares and 1,05,000 shares, respectively, was CFL Securities Limited (purchasing on behalf of Harbinger Trading Company Private Limited) which were in the nature of matched/structured transactions. M/s Aditi A. Dalal, the counter party stock broker and the client are admittedly associate entities.

10. The aforesaid trades of the entities as mentioned in the notices issued to them and their contribution as alleged in the notices have not been disputed. The entities have made similar submissions. It was the submission that their group associates have entered into series of transactions in the shares of VXL during the period under investigation for the purpose of creating temporary funding arrangements to meet with the NSE/BSE pay-in obligations of their associates, CFL Securities Limited and Tropical Securities and Investments Private Limited, from time to time. Further, it has been alleged that the entities are related to each other. In this regard, I refer to the statements of various persons annexed to the respective notices issued to the entities. Mr. Milan B

Dalal (director of Tropical Securities and Investments Private Limited) in his statement dated October 8, 2002, to a question “*What is your relationship with CFL Securities Limited, Shriya Capital Services Limited, M/s. S. Ramdas, M/s. Aditi A. Dalal and Mr. Milan Dalal?*” has replied “*CFL and Shriya Capital are our associate companies. S. Ramdas is a proprietary concern of our director Mr. Milan Dalal. M/s. Aditi Dalal is owned by our director Mr. Asim Dalal’s wife and Mr. Milan Dalal is our director.*” He had also admitted that the entities are their associates. Further, the relevant extracts of the statement dated September 4, 2002 of the representative of M/s. Aditi A. Dalal is given below:

“Q7 *It has been gathered that you shares common address as that of CFL Securities Ltd, Member NSE, and you are also mentioned to be the relative of director of CFL Securities Ltd, is it true or not?*
Yes, Mr. Asim B Dalal, is the Director of CFL Securities Ltd. and is the husband of Aditi A. Dalal.

Q8 *Specify your relationship with CFL Securities Ltd., Tropical Securities, Harbinger Trading Co. and Shreya Capital Services P. Ltd.?*
All are associated companies.” (Emphasis supplied)

There is no dispute regarding the alleged connections. Further, the entities in their respective replies have also referred to CFL Securities Limited and Tropical Securities and Investments Private Limited as their “*associates*”.

11. The notice had enclosed statements of the representatives of the stock brokers namely, M/s Pawankumar Parmeshwarlal, Lallubhai Ranchoddas Share Brokers Private Limited, Rosy Blue Securities Limited and DGP Securities Limited. The relevant statements are mentioned below:

a. The authorized representative of the stock broker, M/s Pawankumar Parmeshwarlal had *inter alia* deposed:

“since the group (i.e. CFL & Tropical) was in need of funds we used to give 70% to 80% advance and the rest amount after the finalization of the price. For this financial assistance we used to charge 1% of the amount given. For giving the advance we first purchase the shares in spot for M/s Tropical and the shares which were purchased in

the spot was sold immediately at the BOLT through our broker M/s Pawan Kumar Parmeshwarlal. The purpose behind doing all these transactions was not at all to increase the volume or to influence the price in the script of Ceat Ltd., but this was a purely financial assistance given to M/s Tropical at their request as and when they needed. Further, it is our practice that after purchasing the shares in spot we offload those shares and do not keep any stock”.

b. Mr. Sanjeev Choksy, director of Lalubhai Ranchoddas Share brokers Private Limited, in his statement had *inter alia* stated that it had mainly sold shares of VXL during the investigation period for Harbinger Trading Company Private Limited. He stated *“We gave them payment immediately on receiving delivery of shares i.e. before payout...”* and further stated *“It is a market practice that brokers give payment to their clients immediately on selling of the shares if the delivery is received. It is only a facility extended to the clients on payment of certain extra brokerage and not a pure lending activity”.*

c. I also refer to the deposition of the authorized representative of Rosy Blue Securities Limited. The relevant question and its response are given below:

“Q6. What was the reason for trading through you when Tropical itself is a BSE member and its associate concern CFL Securities Limited is NSE member?
Basically, Tropical needed financial assistance. Our group had some outstanding dues from Tropical. They did not pay in cash in its stead sold VXL shares through us. We did not make any payment to Tropical on pay-out. The amount was adjusted against the dues and paid to our group companies.”
(Emphasis supplied)

d. I also note that Mr. Milan B. Dalal, while stating the connections amongst the entities with CFL Securities Limited and Tropical Securities and Investments Private Limited, had admitted that the transactions executed by the group companies was primarily for *“tiding over financial commitments to the exchange so as not to default payments.”*

On the basis of the said statements, it has been observed in the notices issued to the entities that the CFL Group was in financial difficulty and as a means to arrange finance, CFL and its related/associated entities sold shares on “spot” or “off-market” to various entities and would receive funds immediately. The entities who had bought such shares would in turn sell them on the stock exchange as their interest was safeguarded since they were covered under the settlement guarantee fund of the stock exchange. It was also observed that in majority of those trades, the counterparty buyer had been one of the related entities of the CFL Group who initially sold the shares on spot/off-market. I note that the notices also stated that the aforesaid cycle of sale on spot/off-market basis, subsequent sale by the buyers on the market by entering into matched/structured deals with the entities who had initially offered the shares on spot/off-market basis, were found to have continued settlement after settlement during the investigation period. The details of structured/matched transactions and cross deals are mentioned in the respective annexures to the notices issued to the entities for which the entities have not made any justifiable submissions. The common submission of the entities was that “....*The whole group was passing through severe financial hardships during these periods and we had to resort to this methodology as a part of survival in the midst of hardships, as directed by group associates CFL Securities & Tropical Securities.*” Though, the entities contended that they did not have any intention of creating artificial volumes, price rigging, or to create artificial appearance of the trading pattern in the market, the very act of their trading only for the purpose of creating temporary funding arrangements for their associates would make them responsible for indulging in trading which created false or misleading appearance of trading in the shares of VXL on the securities market. It is pertinent to note the submission of the entities that “*Violations if any has occurred which was unintentional, we humbly request you to kindly condone the same*”. The entities have also admitted that their trades have inadvertently resulted in excessive volumes.

Further, they submitted “.....neither have we resorted to any other violations except excessive volumes in ill liquid scrips”.

12. The entities have not disputed the transactions as mentioned in the notices issued to them in the matter. Further, they have also not refuted the allegations levelled against them in the notices. Their submission is that their group associates have entered into series of transactions in the shares of VXL during the period under investigation for the purpose of creating temporary finding arrangements to meet with the NSE/BSE pay-in obligations of their associates CFL Securities Limited and Tropical Securities and Investments Private Limited from time to time. Admittedly, CFL Securities Limited, Tropical Securities and Investments Private Limited and the entities are group/connected entities. Their *modus operandi* which has been outlined in the notices, have not been disputed by the entities. Rather, they have admitted the same. By indulging in such trades, the entities have put the system at risk. The system is designed to protect the securities market from the risk of default of an intermediary/investor from turning into a systemic risk. This system while mitigating the counterparty risk in case of a transaction, also facilitate the market to run on a mechanism that is best run in ensuring the anonymity of the counter party to a trade. I find that in the instant case, the acts of the group had compromised this market mechanism in two ways. One, they misused the system to stand as a guarantee for a stock broker who was functioning duress under financial constraints and two, the anonymity of the counter party to the transactions were intentionally compromised by means of structured synchronized trades. There was no actual change in the beneficial ownership of the shares but were done to facilitate the group companies to tide over financial crisis. The fact remains that the trades of the entities had created false and misleading appearance of trading in the shares of VXL during June 2000 to September 2000. I find that the transactions entered into by the entities (whether smaller quantities or larger quantities) had facilitated the temporary

loans whose default risk was transferred to the market. The show cause notices clearly explain why at all the trades were entered into by the entities. I also find that by choosing less liquid scrips to deal, the entities effectively ensured that their trades get completely executed with the intended counter parties as structuring trades using synchronized trades is effective in less liquid scrips.

13. Therefore, from the above discussions, it is clear that the entities have traded in the shares of VXL with the sole objective of aiding the group entities- CFL Securities Limited and Tropical Securities and Investments Private Limited to meet their obligations to the respective stock exchanges. The same has been admitted by them also vide their replies/submissions. Such transactions have not been executed for a genuine purpose. Thus, the trades executed by the entities were fictitious and were intended to serve another objective-that of aiding their group entities to tide over financial crisis. Thus, such non-genuine trades had created artificial volumes in the shares of VXL. While trading in such a manner the entities failed to have any regard to the genuine investors in the scrip during the relevant period. Therefore, it is concluded that the entities have dealt in the shares of VXL during the relevant period in a manner which created false and misleading appearance of trading of the scrip in the securities market. The said conduct is in contravention of Regulation 4(b) of the PFUTP Regulations. I note that M/s. Aditi A. Dalal is a member of the Ahmedabad Stock Exchange Limited and is registered as a stock broker with SEBI.

14. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Sections 11(4) and 11B thereof read with Regulations 11 and 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby issue the following directions:

a. Harbinger Trading Company Private Limited and Shriya Capital Services Private Limited (having their address at 24-A, Bhupen Chambers, Ground Floor, Dalal Street, Mumbai- 400001) are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in the securities market, either directly or indirectly, for a period of two months.

b. M/s Aditi A. Dalal (having its address at 24-A, Bhupen Chambers, Ground Floor, Dalal Street, Mumbai- 400001) is hereby restrained from buying, selling or otherwise dealing in the securities market, in its proprietary accounts, either directly or indirectly, for a period of two months.

15. As Harbinger Trading Company Private Limited is already restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in the securities market, either directly or indirectly, for a period of two months, vide an Order dated January 17, 2011 in respect of its dealing in the shares of Ceat Limited during the period from January to March 2000 and March to May 2001, the period of debarment ordered hereinabove against Harbinger Trading Company Private Limited would run concurrently.

16. This Order shall come into force with immediate effect.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: JANUARY 17, 2011